

**STATE LOTTERY DEPARTMENT
POWER BALL**

**REPORT ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
APRIL 1, 2011 THROUGH MARCH 31, 2012**





Commonwealth of Virginia

Auditor of Public Accounts

Walter J. Kucharski
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

June 22, 2012

Members of the Virginia State Lottery Board
900 East Main Street
Richmond, Virginia

Independent Auditor's Report on Applying Agreed-Upon Procedures

We have performed the procedures enumerated below, which were agreed to by the Virginia Lottery Department and the other member lotteries in the states of Georgia, Illinois, Maryland, Massachusetts, Michigan, New Jersey, New York, Ohio, Texas, and Washington (referred to as the "Member Lotteries"), which operate Power Ball, solely to assist the Virginia Lottery and Member Lotteries with respect to the evaluation of the following financial information associated with Power Ball: Virginia Lottery's sales and prize expense for the period April 1, 2011 through March 31, 2012, and the Virginia Lottery's receivable or payable as of March 31, 2012. Virginia Lottery is responsible for its records of the financial information associated with Power Ball. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Virginia Lottery and Member Lotteries. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures that we performed and our findings are as follows:

- A. We obtained from the Virginia Lottery the "Draw Activity" and the "Fixed Prize Analysis" reports for the period April 1, 2011 through March 31, 2012, and attached those as Exhibit I and II, respectively. We verified the mathematical accuracy of the schedules.
- B. We randomly selected the following five Power Ball drawings from the period April 1, 2011 through March 31, 2012:

May 7, 2011
November 26, 2011
December 31, 2011

February 11, 2012
March 24, 2012

- C. For each drawing selected in step “B” above, we compared the total amount of sales as shown on the daily sales report produced by the Virginia Lottery’s gaming system and the total amount of sales shown on the related daily sales report produced by the Internal Control System (ICS) with the balance listed in the “Sales” column for the respective week on the “Draw Activity” report attached as Exhibit I and found them to be in agreement.
- D. We calculated the total dollar amount of the fixed prizes for the drawings selected in step “B” above, based on the total number of winners from the Virginia Lottery’s gaming system for each prize level and the prize structure of Power Ball’s fixed prizes (as defined in the official game rules). We compared the calculated expense with the amount listed in the “Actual Fixed Prizes” column for the respective drawing on the attached “Draw Activity” report and found them to be in agreement.
- E. For each drawing selected in step “B” above, we compared the amount of sales, actual fixed prizes, and share of fixed prizes shown on the “Draw Activity” report attached as Exhibit I to the amounts shown on the applicable Power Ball Prize Settlement Reports and found them to be in agreement.
- F. For the period identified in step “B” above, we randomly selected two months and obtained the “Expired Prize Settlement Report” distributed by the Virginia Lottery. For the two months selected, we obtained from the Virginia Lottery ICS the actual fixed prizes awarded and the prizes unclaimed. We compared the ICS data back to the data reported from the Virginia Lottery for each draw of the subject months and found them to be in agreement.
- G. We compared the amount shown as the total of the actual fixed prizes and the total of the share of fixed prizes on the “Draw Activity” report attached as Exhibit I to the applicable amounts shown on the “Fixed Prize Analysis” report attached as Exhibit II and found them to be in agreement.
- H. For each purchase (if any) of investments associated with jackpot prizes, we obtained:
 - 1) broker confirmations and noted that the investments were properly funded solely through the purchase of 100 percent United States Government STRIP Bonds;
 - 2) the bid sheets and supporting documentation and noted that the investments were purchased properly through a competitive bidding process involving a minimum of three primary brokerage firms; and
 - 3) the Security Purchase report, which lists the results of the security purchase and verified that the information reported to the group is accurate, including the annuity factor for the non-winning bidders.
- I. We compared the total of the quarterly transfers from the Virginia Lottery for settlement of the fixed prize liability as shown in the Virginia Lottery’s cash

disbursement subsidiary records to the amount listed in the “Qtrly/Yrly Settlements Transfers In/(Out)” column on the “Fixed Prize Analysis” report attached as Exhibit II and found them to be in agreement.

- J. We compared the balance listed as the Virginia Lottery’s receivable or payable as of March 31, 2012, for the fixed prizes as shown on the “Fixed Prize Analysis” report attached as Exhibit II to the Virginia Lottery’s financial accounting records and to the Power Ball Prize Settlement Report as of March 31, 2012 and found them to be in agreement.

We were not engaged to, and did not perform an audit or an examination, the objective of which would be the expression of an opinion on the specified financial information associated with Power Ball. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Virginia Lottery and Member Lotteries specified above and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

AUDITOR OF PUBLIC ACCOUNTS

AVG/clj

Members of the Virginia State Lottery Board
June 22, 2012

POWER BALL
VIRGINIA LOTTERY DEPARTMENT
VIRGINIA DRAW ACTIVITY
From April 1, 2011 through March 31, 2012

Exhibit I

<u>State</u>	<u>Draw Date</u>	<u>Sales</u>	<u>Actual Fixed Prizes</u>	<u>Share of Fixed Prizes</u>
PB	4/2/2011	\$1,011,177	\$140,085	\$161,328
	4/6/2011	1,126,737	154,721	204,401
	4/9/2011	491,173	62,413	77,628
	4/13/2011	423,274	50,990	66,378
	4/16/2011	491,301	62,592	93,779
PB	4/20/2011	519,812	93,916	95,939
	4/23/2011	602,172	93,018	82,426
	4/27/2011	386,939	49,445	68,561
	4/30/2011	438,755	255,046	97,790
	5/4/2011	411,839	62,614	95,813
	5/7/2011	517,007	80,686	81,385
	5/11/2011	505,937	72,393	76,526
	5/14/2011	603,669	83,907	153,529
	5/18/2011	630,991	85,705	136,706
	5/21/2011	760,478	97,237	119,630
	5/25/2011	788,501	94,889	120,682
	5/28/2011	911,263	114,826	155,812
	6/1/2011	1,098,242	131,694	201,181
	6/4/2011	488,043	57,793	75,729
	6/8/2011	425,173	48,517	79,652
MA	6/11/2011	429,116	52,899	72,320
	6/15/2011	394,797	55,010	50,287
	6/18/2011	458,646	69,073	89,884
	6/22/2011	429,600	52,468	71,040
	6/25/2011	502,508	60,556	94,705
GA	6/29/2011	486,537	55,078	62,046
	7/2/2011	435,711	51,583	61,752
	7/6/2011	383,430	56,759	52,283
	7/9/2011	472,135	88,443	133,441
	7/13/2011	458,965	69,499	76,997
	7/16/2011	547,641	77,363	87,748
	7/20/2011	526,767	77,164	96,137
	7/23/2011	631,075	97,988	111,725
	7/27/2011	717,688	92,958	113,617
	7/30/2011	830,846	101,262	118,171
	8/3/2011	898,014	125,346	190,275

POWER BALL
VIRGINIA LOTTERY DEPARTMENT
VIRGINIA DRAW ACTIVITY
From April 1, 2011 through March 31, 2012

Exhibit I

<u>State</u>	<u>Draw Date</u>	<u>Sales</u>	<u>Actual Fixed Prizes</u>	<u>Share of Fixed Prizes</u>
PB	8/6/2011	1,036,165	152,487	187,523
	8/10/2011	1,436,967	384,472	230,926
	8/13/2011	518,175	72,172	68,013
	8/17/2011	456,582	59,931	68,296
	8/20/2011	531,908	72,598	83,775
	8/24/2011	517,711	71,183	93,295
	8/27/2011	547,595	73,592	83,495
	8/31/2011	558,264	64,517	96,077
MD	9/3/2011	718,553	101,407	155,602
	9/7/2011	734,215	107,707	132,357
	9/10/2011	476,995	60,981	67,086
GA	9/14/2011	412,335	49,621	54,522
	9/17/2011	444,741	259,315	103,384
	9/21/2011	400,007	249,602	82,135
	9/24/2011	462,008	70,854	106,281
	9/28/2011	416,221	49,426	54,551
	10/1/2011	514,819	66,220	86,005
	10/5/2011	515,006	83,307	82,434
	10/8/2011	615,087	274,649	108,240
	10/12/2011	598,459	106,408	147,466
	10/15/2011	792,336	326,203	178,272
	10/19/2011	824,622	103,939	115,970
	10/22/2011	948,279	162,177	188,192
	10/26/2011	1,053,200	327,192	190,337
	10/29/2011	1,355,180	166,859	217,137
	11/2/2011	2,194,460	272,655	436,667
PB	11/5/2011	537,522	73,438	83,202
	11/9/2011	485,256	58,561	63,000
	11/12/2011	573,724	68,931	128,990
	11/16/2011	528,416	74,386	127,952
	11/19/2011	599,206	124,592	112,735
	11/23/2011	461,032	58,640	73,322
	11/26/2011	432,229	68,820	53,605
	11/30/2011	445,478	52,087	88,809
	12/3/2011	524,782	75,985	70,490
	12/7/2011	484,621	64,622	75,519

POWER BALL
VIRGINIA LOTTERY DEPARTMENT
VIRGINIA DRAW ACTIVITY
From April 1, 2011 through March 31, 2012

Exhibit I

<u>State</u>	<u>Draw Date</u>	<u>Sales</u>	<u>Actual Fixed Prizes</u>	<u>Share of Fixed Prizes</u>
MD	12/10/2011	576,289	81,713	104,259
	12/14/2011	558,950	77,529	100,023
	12/17/2011	671,509	76,159	124,537
	12/21/2011	737,956	104,864	101,162
	12/24/2011	981,835	139,711	169,225
	12/28/2011	434,410	50,329	76,300
	12/31/2011	610,645	81,135	92,861
	1/4/2012	439,142	48,226	69,063
	1/7/2012	536,895	67,265	103,354
	1/11/2012	491,846	63,649	79,130
	1/14/2012	595,046	268,450	114,905
	1/18/2012	809,444	67,683	62,576
	1/21/2012	979,516	76,811	84,464
	1/25/2012	976,018	86,458	143,016
	1/28/2012	1,184,146	99,697	160,112
PB	2/1/2012	1,303,304	123,736	167,631
	2/4/2012	1,743,914	134,698	201,028
	2/8/2012	2,138,004	184,767	276,841
	2/11/2012	3,834,296	319,954	424,276
	2/15/2012	692,592	64,604	118,573
	2/18/2012	821,030	61,798	251,107
	2/22/2012	702,242	60,645	111,959
	2/25/2012	833,702	77,951	256,697
	2/29/2012	627,108	52,010	184,350
	3/3/2012	738,390	1,067,808	185,451
PB	3/7/2012	642,318	49,201	51,229
	3/10/2012	694,288	66,575	124,174
	3/14/2012	599,518	43,688	105,487
	3/17/2012	719,356	51,351	56,874
NJ	3/21/2012	655,526	48,888	53,437
	3/24/2012	691,348	62,456	56,444
	3/28/2012	667,768	47,635	118,863
	3/31/2012	885,768	1,083,933	211,609
Total		<u>\$74,962,234</u>	<u>\$12,576,849</u>	<u>\$12,563,982</u>

Members of the Virginia State Lottery Board
June 22, 2012

POWER BALL
VIRGINIA LOTTERY DEPARTMENT
FIXED PRIZE ANALYSIS
From April 1, 2011 to March 31, 2012

Exhibit II

State	Receivable (Payable)	Actual Fixed Prizes	Share of Fixed Prizes	Qrtly/Yrly Settlements Transfers In (Out)	Receivable (Payable)
Georgia	\$ 547,158	\$ 17,194,986	\$16,200,967	\$2,217,678	\$ (676,501)
Illinois	(164,421)	23,003,572	20,742,621	2,827,158	(730,628)
Massachusetts	(610,394)	10,497,565	12,040,216	(1,737,285)	(415,760)
Maryland	200,714	10,431,540	12,011,677	(941,475)	(437,948)
Michigan	(189,701)	14,753,868	15,978,676	(1,885,169)	470,660
New Jersey	(122,517)	25,984,716	26,958,401	(1,315,122)	218,920
New York	257,577	49,051,243	47,817,453	1,877,542	(386,175)
Ohio	(253,212)	14,072,587	14,318,729	(41,469)	(457,885)
POWER BALL					
Texas	40,349	24,632,969	24,727,367	(166,754)	112,705
Virginia	336,568	12,576,849	12,563,982	(1,208,532)	1,557,967
Washington State	(42,121)	<u>7,727,624</u>	<u>6,567,430</u>	373,428	744,645
Total		<u>\$209,927,519</u>	<u>\$209,927,519</u>		